

MR. JOHNSON: My name is Larry Johnson. I'm with Alton Coal Development, I'm the manager of Alton Coal. On January 15 this year, Secretary Jewell took the dramatic step of halting federal coal lease on public lands. Alton Coal Development was very much affected by this decision. The owner places a pause on leasing for an indefinite period while the BLM prepares a programmatic environmental impact statement of the Federal Coal Program. Specifically, the secretary has directed the BLM to examine whether bonus bids random royalty received for mining federal coal were successfully securing a fair market value in America. Arguments in favor of increasing the federal royalty rate disregard the economic conditions of the coal industry. Increasing the royalty rate will only increase royalty revenue if coal production remains the same, but a raise in royalty rates will increase the overall cost of coal and reduce demands of production. As evidenced by the State in bankruptcies and reorganizations, many coal companies are operating on a thin margin and may not be able to absorb these additional costs. Two contentions are brought forward by the secretary for raising royalty rates. One, these rates do not compensate the public for the removal of coal and externalities associated with its use. And, two, the federal coal sales representing nearly 41 percent of the total domestic production artificially lowers market prices, further reducing the amount of royalties received. On the contrary, this is significant evidence that the current royalty rates do provide a return on American public, around \$1.2 billion in 2012 alone. And reports from the Inspector General's office and government accounting office investigating the Federal Coal Program do not propose an increase in America. Arguments in favor of increasing the federal royalty rate disregard the economic conditions of the coal industry. Increasing the royalty rate will only increase royalty revenue if coal production remains the same, but a raise in royalty rates will increase the overall cost of coal and reduce demands of production. As evidenced by the State in bankruptcies and reorganizations, many coal companies are operating on a thin margin and may not be able to absorb these additional costs. Two contentions are brought forward by the secretary for raising royalty rates. One, these rates do not compensate the public for the removal of coal and externalities associated with its use. And, two, the federal coal sales representing nearly 41 percent of the total domestic production artificially lowers market prices, further reducing the amount of royalties received. On the contrary, this is significant evidence that the

current royalty rates do provide a return on American public, around \$1.2 billion in 2012 alone. And reports from the Inspector General's office and government accounting office investigating the Federal Coal Program do not propose an increase in the current royalty rates. Alton Coal Development is suspicious the fair return is not the primary reason for the moratorium. The BLM director, Neil Kornze, has to confirm that the moratorium will last at least three years and impact some 50 pending lease applications, including applications submitted by Alton Coal Development back in 2004. 2004! This has a significant economic impact on Alton Coal, and I am sure on other operations, by bearing the cost of environmental analysis, but now can't proceed to a record of decision or final lease. It's hard to understand how the department is harmed by completing these pending leases. The leasing process includes NEPA, public comment, competitive bidding, confirmation that the bid meets fair market value and is not anti-competitive. Our pending lease applications have already met this ability for criteria of leasing under the Federal Mineral Leasing Act, the Federal Land Policy and Management Act, and the Surface Mining Control and Reclamation Act. Despite the considerable discretion of the secretary to control environmental impacts and assure a fair return on value, 33 pending LBAs remain subject to the moratorium, including Alton Coal. That being said, Alton Coal requests that the secretary consider suspending the moratorium and allowing existing leases to be completed and awarded. Alton's LBA has been pending for more than 12 years and the environmental analysis is nearly complete. Allowing to complete and award these pending leases would allow those coal companies to meet their coal supply agreements and will return bonus bid and lease payment revenues to both the state and the Federal Government.